

Boutique

market strategies

Market Dynamics
June 2008



Contents

▲ Core Equity Investments	1
▲ Fixed Income Investments	2
▲ Macro Strategy Investments	3
▲ Marriott the Income Specialists	4
▲ Property Investments	5
▲ Select Equity Investments	6
▲ Umbono Fund Managers	7
▲ Value Equity Investments	8
▲ Contact Details	9
▲ Regulatory Information	10

Core Equity Investments

Market Highlights

- ▲ The FTSE/JSE All Share Index shed 4.4% in June with resources sector (+1.3%) continuing to dominate local equities. The financials (-10%) and industrial (-10.5%) sectors underperformed.
- ▲ Rising local rates and higher inflation have now renewed the potential for further earnings downgrades in the financial and industrial sectors, more particularly domestic-based companies.
- ▲ Emerging markets staged a dismal performance in June, with the MSCI Russia, the best performing index, declining 7% in US dollar terms. The MSCI India was the worst performing, declining 19.6%.
- ▲ The best performing local sub-sectors were fixed line telecoms (+8.1%), general mining (+3.4%) and gold mining (+1.4%), while the worst were household goods (-18.8%), mobile telecoms (-18.1%) and automobiles & parts (-17%).
- ▲ Small-caps (-8.4%) and mid-caps (-6.7%) underperformed large-caps (-4%).

Investment Strategy

- ▲ The Core Equity Investments boutique offers equity portfolios that are ideally placed to form the core of an investor's portfolio. We aim to deliver steady returns above equity benchmarks, while maintaining a moderate risk profile. In the retail market, we manage the Old Mutual Investors' Fund.
- ▲ On broad sector exposure, the model portfolio remains **neutral** in resources (we prefer direct commodity shares to diversified miners), **underweight** financials (we prefer banks to life insurers) and small companies, and **overweight** industrials.

“Short-term volatility sometimes creates the kind of valuation gaps we view as good switching opportunities.”

Core Equity Team



Peter Linley | Boutique Head

Resources continue to outperform Financials & Industrials



Source: I-net

- ▲ Our preferred sub-sectors are industrial rand hedge, diversified industrials and oil stocks; with beverages, life insurers and cyclical retail the least preferred.
- ▲ We maintain a view that global risks remain high in the short term, with the economic slowdown in developed markets still likely to impact the earnings cycle and asset prices.
- ▲ Our client portfolios are currently defensively positioned, yet we are taking advantage of switching opportunities as valuations converge.



OLD MUTUAL

Investment Group

Core Equity
Investments

Fixed Income Investments

Market Highlights

- ▲ US Treasury yields are rising in reaction to higher inflation risks.
- ▲ There is growing evidence of rising global inflation, particularly in emerging markets.
- ▲ Locally, inflation continued to surprise by rising faster, while rolling price shocks increased inflation uncertainty.
- ▲ As a result, the yield curve shifted upwards in anticipation of more monetary policy tightening, causing bonds to underperform cash for the sixth consecutive month in June.
- ▲ Following the 50-basis point (bp) repo rate increase in June, the market has priced in another 50bp hike by August this year.

Investment Strategy

- ▲ The money market still offers best value on a risk-adjusted basis.
- ▲ Within the money market building block, we are accumulating 12-month NCD's above 14% and floating rate notes at better spreads.
- ▲ Within the bond building block, we have reduced the underweight modified duration tilt slightly into the market weakness of late.

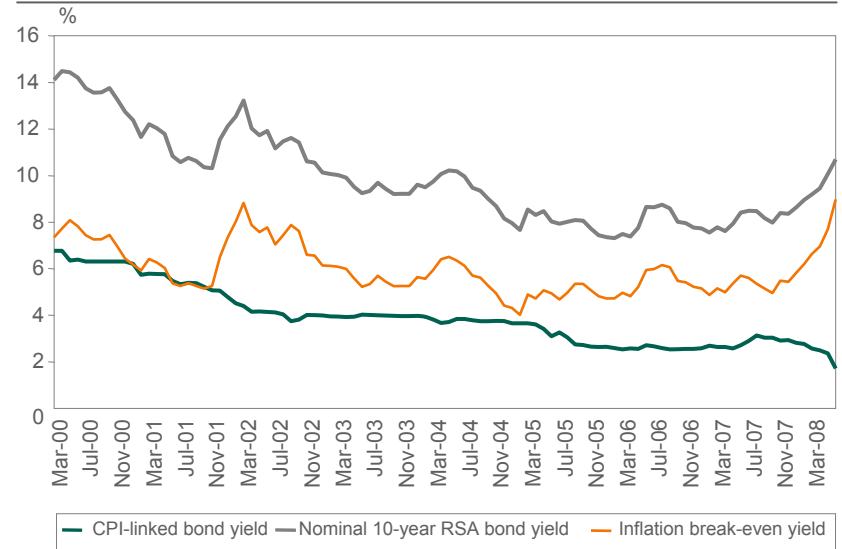
“The unpredictability of continuous rolling price shocks makes it hard to predict the inflation peak.”

Wikus Furstenberg



Wikus Furstenberg | Acting Boutique Head

Inflation break-even rate has risen sharply



Source: OMIGSA

- ▲ Non-government debt at widening spreads offers a good long-term investment opportunity, which is utilised on a duration-neutral basis by switching out of lower-yielding RSA Treasury bonds.
- ▲ We will maintain the underweight position in the 12+ year maturity band given inflation uncertainty and expected rising net issuance of long-dated debt by National Treasury and state-owned entities.



OLD MUTUAL

Investment Group

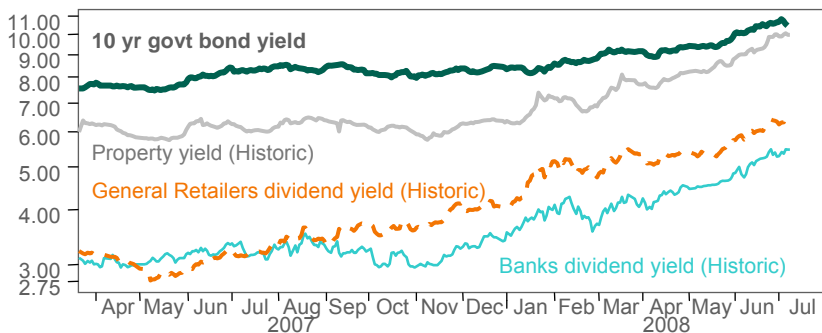
**Fixed Income
Investments**

Macro Strategy Investments

Market Highlights

- ▲ For the US and UK, the first half of 2008 was one of the worst starts to a year in the last 130 years with the S&P 500 and the FTSE All Share both falling 13%. Local markets have not been immune to this.
- ▲ The JSE All Share was up 6.4% over this period, but this positive performance was driven by a small selection of shares.
- ▲ After starting the quarter on a positive note, the JSE All Share index fell 4.4% in June as the outlook for inflation deteriorated.
- ▲ The South African Reserve Bank raised interest rates by 100bps this quarter and interest rate-sensitive assets again bore the brunt, with listed property down 19.6%, banks losing 14.5%, small caps falling 14% and bonds down 4.9%.

Poor performance of interest rate-sensitive assets provides opportunity to purchase yield at attractive prices



Source: I-Net

“As a long-term investor, you have to see through the noise.”
Macro Strategy



Peter Brooke | Boutique Head

Boutique performance relative to performance target to 30 June 2008

AGGRESSIVE		1 Yr	3 Yrs	5 Yrs
Profile funds	Profile Pinnacle	-1.4%	20.3%	24.7%
	Performance Target: CPIX +7%	18.2%	14.5%	13.2%
Life Wrapped	Optimised Aggressive	-0.9%	20.4%	24.3%
	Performance Target: CPIX +8%	19.2%	15.5%	14.2%
Unit Trusts	Old Mutual Flexible	-1.5%	22.1%	25.4%
	Performance Target: CPIX +8%	19.2%	15.5%	14.2%

MODERATE		1 Yr	3 Yrs	5 Yrs
Profile funds	Profile Balanced	-0.2%	19.1%	22.6%
	Performance Target: CPIX +5%	16.2%	12.5%	11.2%
Life Wrapped	Optimised Balanced	-1.9%	17.9%	21.1%
	Performance Target: CPIX +6%	17.2%	13.5%	12.2%
Unit Trusts	Old Mutual Balanced	-2.1%	19.5%	22.5%
	Performance Target: CPIX +6%	17.2%	13.5%	12.2%

CONSERVATIVE		1 Yr	3 Yrs	5 Yrs
Profile funds	Profile Stable Growth	1.4%	14.2%	16.4%
	Performance Target: CPIX +4%	15.2%	11.5%	10.2%
Life Wrapped	Optimised Defensive	3.8%	12.8%	14.5%
	Performance Target: CPIX +4%	15.2%	11.5%	10.2%
Unit Trusts	Old Mutual Stable Growth	2.9%	–	–
	Performance Target: CPIX +4%	15.2%	11.5%	10.2%

ULTRA CONSERVATIVE		1 Yr	3 Yrs	5 Yrs
Profile funds	Profile Capital	4.9%	10.9%	12.4%
	Performance Target: CPIX +3%	14.2%	10.5%	9.2%
Unit Trusts	OMUT Real Income	0.7%	–	–
	Performance Target: CPIX +3%	14.2%	10.5%	9.2%

Source: OMIGSA

Below performance target Above performance target

Note: A performance target is not necessarily the same as a benchmark. It is the average level of performance that the fund manager aims to achieve over the long term.

Note: These fund returns are shown net of fees, except for Profile funds which are gross of fees.



OLD MUTUAL

Investment Group

Macro Strategy Investments

Marriott – The Income Specialists

Market Highlights

- ▲ The international equity market rally came to an abrupt end in June as inflation worries resurfaced.
- ▲ European equity markets dropped 11.1% (euro), UK Markets 7.1% (sterling) while the US equity market fell 8.4% (dollar), which was its worst June since the Great Depression (1930's).
- However recent Fed action in rapidly cutting rates has provided economic stimulus through liquidity.
- Earnings downgrades will occur, but a recovery could commence as early as the second half of 2008.
- The equity markets should start to factor this in ahead of time
- Equity valuations are cheap relative to cash and bond yields, particularly amongst large cap blue chips.
- 2008 will be a year of opportunities as well as risk – remain alert to both.

Investment Strategy

- ▲ Marriott uses an income focused approach to investing.
- ▲ The dividend yield of an investment along with consistent and reliable dividend growth offers the potential for increased wealth for investors over time. We prefer securities issued by large companies that are trading at acceptable yields and have a proven track record of paying regular dividends or interest.
- ▲ We manage the capital of many thousands of retired investors, providing them with a reliable and predictable monthly income.

Marriott manages three of the top five income producing unit trusts in SA (based on five-year cumulative distributions)

Had you invested R100,000 five years ago, the cumulative income earned would have been :

1. Marriott Property Income Fund	R 68 628
2. Marriott Property Equity Fund	R 66 504

Source: Profile Media

Disclaimer: The investment performance is for illustrative purposes only. It is calculated taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date. Past performance is not necessarily an indication of future performance.

- ▲ Many of the mega-cap companies in the UK, US and Europe are at their highest dividend yields in 20 years. Our offshore funds are offering a value opportunity not seen since the 1980's.
 - Marriott International Income Growth Fund.
 - Marriott First World Equity Fund.

“If you look after the income, the capital takes care of itself.”

Simon Pearce



Simon Pearce | CEO



A Member of the OLD MUTUAL Investment Group

Property Investments

Market Highlights

- ▲ The three primary property sectors are seeing varied responses to the potential of a cyclical slowdown brought on by creeping inflation and rising interest rates.
- ▲ Valuations are stable and there is as yet no evidence to show a material shift in capitalisation rates.
- ▲ With declining vacancies in major decentralised nodes, the office market (marred by volatile returns in the past), continues to strengthen and rental forecasts are still expected to exceed nominal growth of 20% per year.
- ▲ The industrial sector, driven by wholesale trade and manufacturing, is expected to continue its outperformance in 2008, in spite of the slowdown in retail, prevailing electricity constraints and a weaker manufacturing outlook.
- ▲ Within the retail sector we continue to expect regional and super regional rental reversions above existing levels of 6% to 8%.

Performance Profile

Triangle Funds (direct real estate)

- ▲ We continue to see general evidence of a cyclical slowdown in year-on-year retail spend, with proprietary portfolio research showing a positive recovery in May after a decline in April 2008.
- ▲ While we recognise the potential for a shift in capitalisation rates during this cycle, there is no evidence of this as yet and we do not anticipate any material changes to our long-term view.
- ▲ Value is beginning to emerge and we have increased our exposure to decentralised office space within the KZN region.
- ▲ Investors continue to recognise the long-term value of the Triangle proposition, evidenced by institutional inflows of approximately R350 million during the last quarter.

“.. it is in these times that leaders emerge, new ideas are generated, and the great companies of the future are created.”

Ben Kodisang

Ben Kodisang | Boutique Head



Historic Capitalisation Rates – Overall Property Sectors



Source: OMIGPI Research/ Investment Property Data bank (IPD)

SA Corporate Real Estate Fund (listed real estate)

- ▲ The additional 0.5 percentage point increase in interest rates and ongoing hawkish commentary from the SA Reserve Bank continue to impact negatively on the listed property sector pricing.
- ▲ Risks to economic growth and declining consumer demand is expected to have an adverse impact on retail sales, but this risk is mitigated within the portfolio by resilient lease contracts, a strong bias towards base rentals, a staggered expiry profile and proactive tenant management.
- ▲ Structural constraints continue to limit the supply of industrial and commercial property, underpinning our expectation of continued, positive rental growth in these sectors.
- ▲ Portfolio fundamentals remain sound. The fund is trading at a meaningful discount to underlying net asset value and at a yield higher than the sector average.



OLD MUTUAL

Investment Group

Property
Investments

Select Equity Investments

Market Highlights

- ▲ Markets rose strongly during the second quarter of 2008 with the JSE All Share Index rising by 3.4%, while the SWIX Index rose 0.2%.
- ▲ From an equity sector perspective, there continued to be a huge divergence in returns in the quarter.
- ▲ Resources were by far the best performers, gaining 13.4% compared to financials and industrials, which lost 14.5% and 2.7% respectively.
- ▲ Large-caps outperformed the mid- and small-caps as the large mining shares were sharply higher during the quarter, while the small-cap and mid-cap Indices fell 14% and 9.8%, respectively.

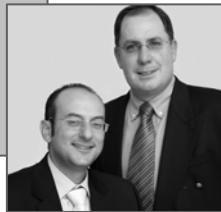
Performance Profile

- ▲ The Top Companies fund performed in line with its peer group during the quarter.
- ▲ Adding to performance were holdings in Naspers, Arcelor Mittal, MTN, Sappi and Tiger Brands, while overweight positions in banking shares were the main detractor from performance.
- ▲ Banking shares weakened on the back of poor inflation data and prospects of further interest rate increases.
- ▲ Our underweight position in resource companies negatively impacted on performance as these companies continued to perform well on the back of high commodity prices.

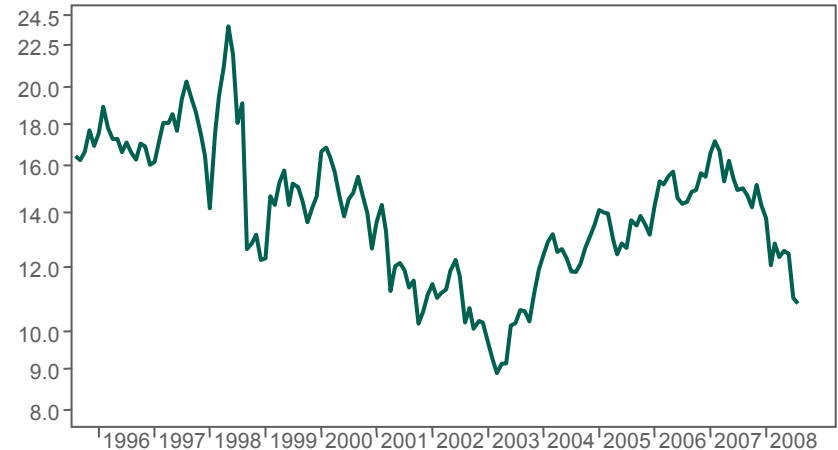
“We always strive to buy shares at prices that are low compared to their long-term investment value.”

Select Equity

Neil Brown & Richard Hasson
| Boutique Heads



Financial and Industrial valuations starting to look very attractive at 11.0 times earnings



Source: I-Net

- ▲ We have recently added to some mid-cap industrials that have fallen to attractive valuation levels.
- ▲ At the end of June 2008, the fund remained highly focused, with 35 shares held and the top 15 shares comprising 70% of the fund.
- ▲ We maintain a slightly defensive position, with increased weightings in cash-based businesses that have strong business models and an above-average degree of pricing power.
- ▲ The weighted portfolio price:earnings (P/E) ratio of the fund is currently 10.0 times on rolling earnings and the weighted portfolio dividend yield is currently 4.0% on a rolling basis.



OLD MUTUAL

Investment Group

Select Equity
Investments

Umbono Fund Managers

Market Highlights

Index Performance for June 2008 once again showed massive divergence:

- ▲ The All Share Index declined 4.36%.
- ▲ The All Bond Index declined 1.73%.
- ▲ Resources were up 1.3%.
- ▲ Financials were down 14%.
- ▲ Industrials were down 10.5%.
- ▲ The best performing sectors were fixed line telecoms (+8.1%) and general mining (+3.4%).
- ▲ The worst performing sectors were household goods (-18.8%) and mobile telecoms (-18.1%).
- ▲ For June 2008, large caps (-4%) outperformed mid caps (-6.7%) and small caps (-8.4%).

Investment Strategy

- ▲ Umbono Fund Managers' tracker philosophy has added significant value to clients over the last six years.
- ▲ We strive to produce strong returns at the lowest possible costs.
- ▲ Our ALSI, CAPI and SWIX trackers have comfortably beaten **two-thirds of the managers** over the last five years. Of these, the Shareholder Weighted Index (SWIX) is our preferred core equity benchmark for the following reasons:
 - Since the launch of SWIX in June 2002, managers have shown no consistent outperformance.
 - The Index is a good SA proxy of 'instability'.

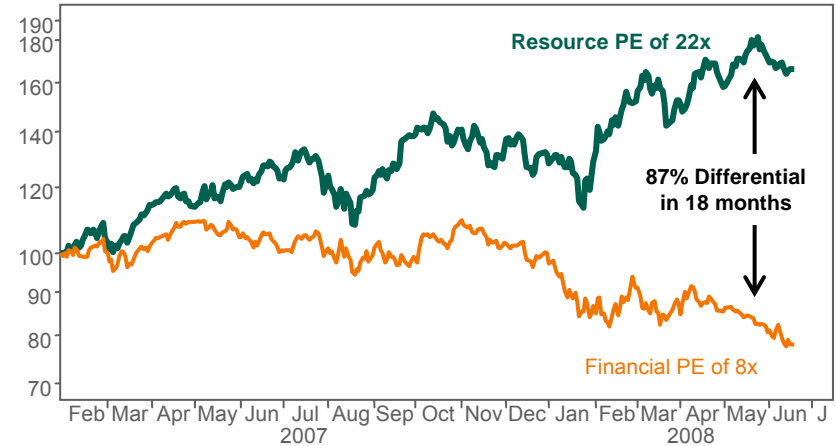
"According to the latest December 2007 Manager Watch Survey™ our tracker fees are between 61% and 74% lower than average active management fees – a compelling proposition given that performance hasn't been sacrificed."

Craig Chambers



Craig Chambers | Deputy MD

Huge Resource/Financial Sector Divergence



Source: I-Net

The SWIX Index started off life in mid-2002 with less than 30% in resource stocks. However given the massive resource outperformance relative to financial and industrial stocks, this resource exposure has increased to 40% of a SWIX tracker fund. This is about 6% higher than the resources holdings of the average equity manager (34%), but 12% lower than an All Share tracker fund. In our view there are two simplistic scenarios that could unfold from here. In the first scenario, resources continue to outperform. In this scenario, a low-cost SWIX tracker will perform well within your equity fund mix. On the other hand, if resources start to underperform, a SWIX tracker will generate returns that are relatively similar to your overall equity mix, as the tracking error of the SWIX against the aggregate holdings of all the fund managers is relatively low. Also, in this second scenario, given its market-cap orientation, a SWIX tracker will quickly ratchet up financials/industrials and reduce resources.



A Member of the OLD MUTUAL Investment Group

Value Equity Investments

Equity market trends continue current momentum

- ▲ The divergence in returns between resource counters and financial and industrial stocks has been striking.
- ▲ After months of falling share prices in many sectors, there is now significant value in the market. The key themes in our portfolio are:
 - **Oil** – We believe that Sasol will deliver excellent earnings growth even if the oil price falls 30%. We remain convinced that there is still potential upside for the Sasol share price.
 - **Paper** – Consolidation in Europe is imminent and we believe Sappi will be a primary benefactor.
 - The **banking sector** is pricing in negative earnings growth. We think that this is overly pessimistic and that bank shares offer good value. Forward dividend yields on average are now above 6%.
 - **Food and furniture retailers** are pricing in inflation to remain at current levels indefinitely. While we acknowledge that the SA consumer is currently under pressure, we do not believe that this is a long-term scenario.

This over-reaction has created buying opportunities. We have taken the falling share prices as an opportunity to increase the size of our bets in our funds.

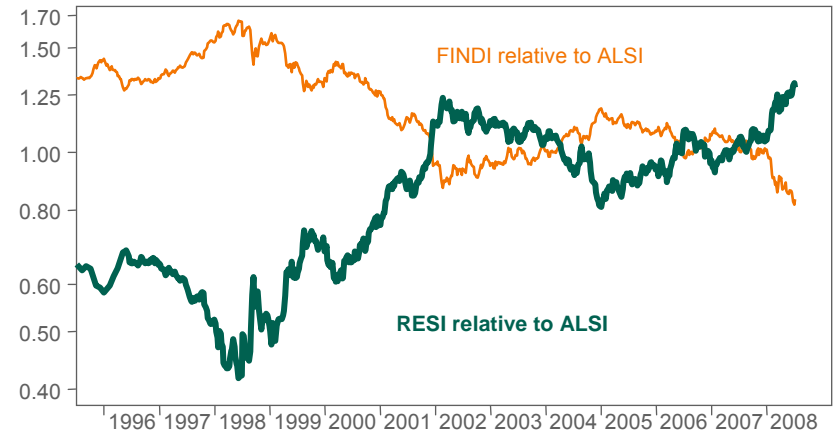
- ▲ We remain convinced that the cycle will turn and we are well positioned to take advantage of that growth.

“Value is emerging
amongst SA equities.”
Michael Schroder



Michael Schroder | Boutique Head

Contrasting returns between the sectors



Source: I-Net

Another quarter of contrasting returns between the sectors:

- ▲ Inflation continued its upward momentum due to higher fuel and food prices.
- ▲ Brent crude oil reached record levels, dragging global inflation with it and sounding alarm bells for future growth.
- ▲ The 50-basis point (bps) rate hike was a welcome relief (100bps expected) but it now makes another hike in August inevitable.
- ▲ The SA consumer remains under pressure.



OLD MUTUAL

Investment Group

Value Equity
Investments

For more information, please contact:

Western Cape:

Old Mutual Investment Group, 3rd floor, West Campus, Mutual Park, Pinelands 8000

Mike van Heerden – Senior Executive: Business Development
Tel: +27 21 509 5082 Cell: +27 82 450 4483
E-mail: mvheerden@omigsa.com

Andreea Bunea (Institutional) – Investment Marketing & Sales Executive: Fund of Funds
Tel: +27 21 509 5468
E-mail: abunea@omigsa.com

Paul Glendining – Investment Marketing & Sales Executive: Retail
Tel: +27 21 504 7690 Cell: +27 82 414 3412
E-mail: pglendining@omigsa.com

Mimette Liebenberg – Investment Marketing & Sales Executive: Retail
Tel: +27 21 504 6305 Cell: +27 82 419 4770
E-mail: mliebenberg@omigsa.com

Gauteng:

Old Mutual Square, Umnotho Building, 3rd floor, OMIGSA office, 93 Grayston Drive, Sandton 2196

Mario Schoeman – Investment Marketing & Sales Executive: Fund of Funds
Tel: +27 11 217 1411 Cell: +27 83 269 8999
E-mail: mschoeman@omigsa.com

Wynand Gouws – Head Retail Channel Management
Tel: +27 11 217 1664 Cell: +27 82 450 7386
E-mail: wgouws@omigsa.com

Taz Victor – Manager: Retail Distribution
Tel: +27 11 217 1002 Cell: +27 82 460 1495
E-mail: victor@omigsa.com

Chris van Staden – Investment Marketing & Sales Executive: Retail
Tel: +27 11 217 1021 Cell: +27 82 414 3409
E-mail: cvanstaden@omigsa.com

Jerry Mnisi (Corporate Distribution) – Senior Executive: Business Development
Tel: +27 11 217 1751 Cell: +27 83 600 4867
E-mail: jmnisi@omigsa.com

Sean du Buisson – Investment Marketing & Sales Executive: Retail
Tel: +27 11 217 1003 Cell: +27 82 926 6955
E-mail: sbuisson@omigsa.com

Durban:

Viewz @ Westway, Office 3B, 11 The Boulevard, Westway Park 3611

Intiaz Shaik – Investment Marketing & Sales Executive: Retail
Tel: +27 31 275 8305 Cell: +27 83 292 7860
E-mail: ishaik@oldmutual.com

Bloemfontein:

PHG Building, 196 Nelson Mandela Drive, Bloemfontein 9300

Des Bothma – Investment Marketing & Sales Executive: Retail
Tel: +27 51 505 2950 Cell: +27 82 410 2666
E-mail: dbothma@omigsa.com

Pretoria:

1st floor, Glen Manor Office Park, Frikkie de Beer Street, Menlyn 0042

Hennie van Rensburg – Investment Marketing & Sales Executive: Retail
Tel: +27 12 369 7220 Cell: +27 83 286 2405
E-mail: hjansevanrensburg@omigsa.com

Regulatory Information

Old Mutual Investment Group Wealth Warnings

Old Mutual Investment Group (South Africa) (Pty) Limited
Physical Address: Mutualpark, Jan Smuts Drive, Pinelands, 7405
Telephone number: +27 21 509 5022

Old Mutual Investment Group (South Africa) (Pty) Limited is a licensed financial services provider, FSP 604, approved by the Registrar of Financial Services Providers (www.fsb.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Investment Group is a wholly owned subsidiary of Old Mutual (South Africa) Limited. Reg No 1993/003023/07.

Umbono Fund Managers is licensed as an approved financial services provider (No. 721) in terms of section 8 of the Financial Advisory and Intermediary Services Act 37 of 2002.

The trademarks Research Affiliates®, Fundamental Index® and RAFI® are the exclusive intellectual property of and are being used under license with Research Affiliates, LLC. Any use of these trade names and logos without the prior written permission of Research Affiliates, LLC is expressly prohibited. Fundamental Index®, the non-capitalization method of creating and weighting of an index of securities, is the patent-pending property of Research Affiliates, LLC (Patent Pending. Publ. Nos. US-2005-0171884-A1, US-2006-0015433-A1, US-2006-0149645-A1, US-2007-0055598-A1, WO 2005/076812, WO 2007/078399 A2 and EPN 1733352).

The investment products are market-linked. Products are either policy based or unitised in collective investment schemes. Investors' rights and obligations are set out in the relevant contracts. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full amount invested. Past performance is not necessarily a guide to future investment performance. Personal trading by staff is restricted to ensure that there is no conflict of interest. All directors and those staff who are likely to have access to price sensitive and unpublished information in relation to the Old Mutual group are further restricted in their dealings in Old Mutual shares.

All employees of Old Mutual Investment Group are remunerated with salaries and standard short-term and long-term incentives. No commission or incentives are paid by Old Mutual Investment Group to any persons. All inter-group transactions are done on an arms lengths basis. In respect of pooled, life wrapped products, the underlying assets are owned by Old Mutual Life Assurance Company (South Africa) Limited who may elect to exercise any votes on these underlying assets independently of Old Mutual Investment Group.

In respect of these products, no fees or charges will be deducted if the policy is terminated within the first 30 days. Returns on these products depend on the performance of the underlying assets. Old Mutual Investment Group has comprehensive crime and professional indemnity insurance, as part of the Old Mutual Group cover. For more detail, as well as for information on how to contract us and on how to access information please visit www.omigsa.com

Unit trust portfolio performance as referred to in this document is based on a lump sum investment and calculated on a NAV to NAV basis. No initial fees are taken into account. Income is reinvested on the ex-dividend date. Fund and benchmark returns are net of annual service fees. Collective Investment Schemes in Securities (unit trusts) are generally medium to long-term investments. Past performance is no indication of future growth. It is important that you are prepared for some shorter-term fluctuations as your investment moves in line with markets. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts may engage in scrip lending and borrowing. Each fund's total expense ratio (TER) is reflected in the individual fund fact sheets, available from www.oldmutualunittrusts.co.za.

A schedule of fees and charges and maximum commissions is available from the management company/intermediary. Source for unit trust fund returns: Morningstar for periods ended 30 June 2008.